



USDA Agricultural Outlook Forum 2001

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Before I address the substantial topic of this speech, let me say how pleased I am to be here in Washington at the USDA's Outlook Forum 2001.



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International Meat Secretariat
&
President and Chief Executive Officer
U.S. Meat Export Federation

I am honored to be associated with such an esteemed panel.



U.S. Outlook on the Framework Proposal

I have been asked to comment on the U.S. Framework Proposal from the perspective of not only the International Meat Secretariat (IMS), that is comprised of over 40 countries ranging from less developed, developing, and developed, but also from the perspective as the head of the USMEF.

First, I want to make it clear to all of our international trading partners that the U.S. industry wholeheartedly supports the U.S. Framework Proposal presented in Geneva last June.

The Advisory Committee for Trade Policy and Negotiations (ACTN), the Agriculture Policy Advisory Committee (APAC) and the Agriculture Technical Advisory Committee (ATAC) have all devoted considerable time and input into the document.

It's my conviction that the U.S. framework meets with the noble principles of the WTO:

- Open Markets
- Non-discrimination
- The Rule of Law, Not Power
- Transparency

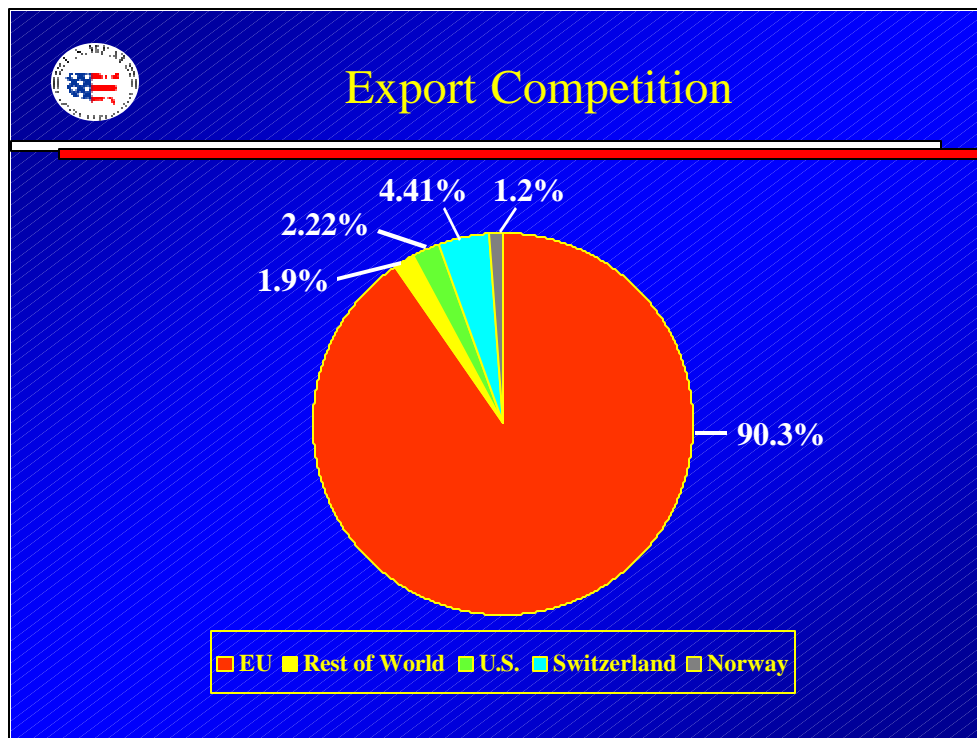


The Comprehensive Proposal

- Export competition
- Domestic support
- Market access
- Special and differential treatment
- Food security
- Sectoral initiatives

This slide shows the proposal's six primary elements.

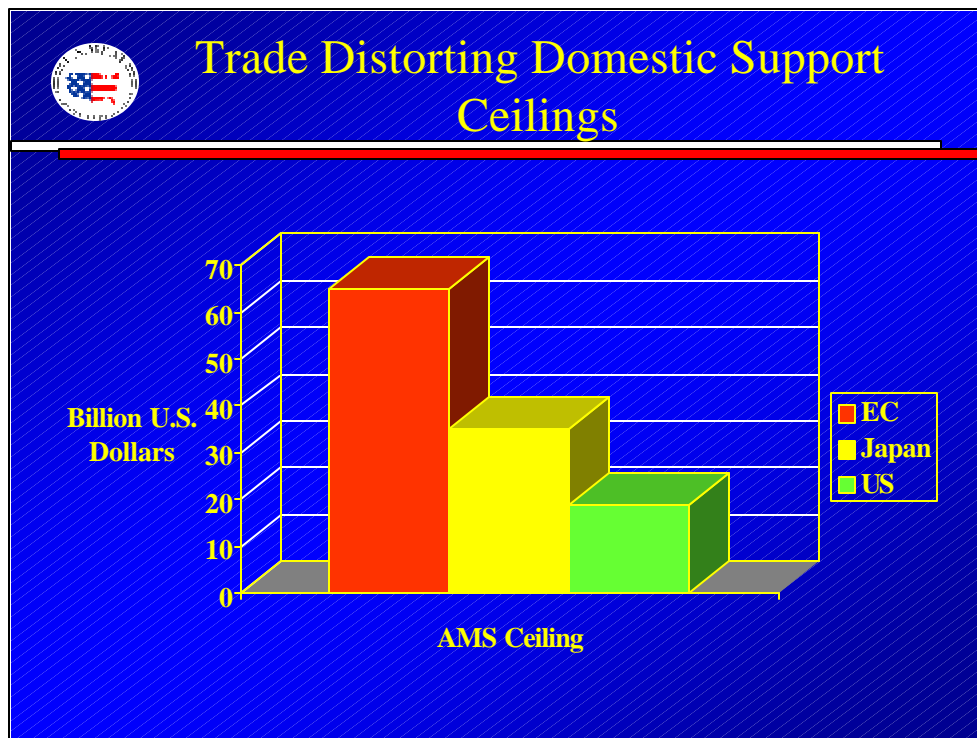
From the industry perspective, I will elaborate briefly on each of the six major areas of the proposal. I also want to emphasize why it is vital to launch the next Round of the WTO ministerial in Doha, Qatar in November.



This chart clearly depicts the egregious levels of export restitution of Europe. Over 95% of the world's export subsidies are attributed to Europe.

In September of last year I met with the Brazilian Foreign Minister, Luiz Felipe Lampreia. He stated that the EU subsidies alone cost other non-EU countries USD 75 billion a year. Put another way, he indicated that if it were not for those subsidies, the rest of the world's entire export growth would increase by 75 billion USD.

The Europe subsidy levels are unsustainable and unethical given the realities of today's world.



The chart illustrates that three countries - EU, Japan and the U.S. - account for USD 120 billion in annual support. However, what is even more shocking is that annual support in all OECD countries (Organization for Economic Cooperation and Development) totaled USD 361 billion in 1999. This is double the value of total agricultural exports from all non-OECD countries.

Product support across all OECD countries was 40% of the value of total OECD agricultural production. The OECD estimates that OECD countries farm support is estimated to cost the developing countries about USD 20 billion a year. OECD countries can no longer afford these excessive levels of support and the developing world can no longer afford to lose the trade.

When looking at export and domestic subsidies together it is clear that the failure of agriculture to be covered in prior Rounds has allowed agricultural trade reform to lag far behind reform as evidenced in the manufacturing sector.

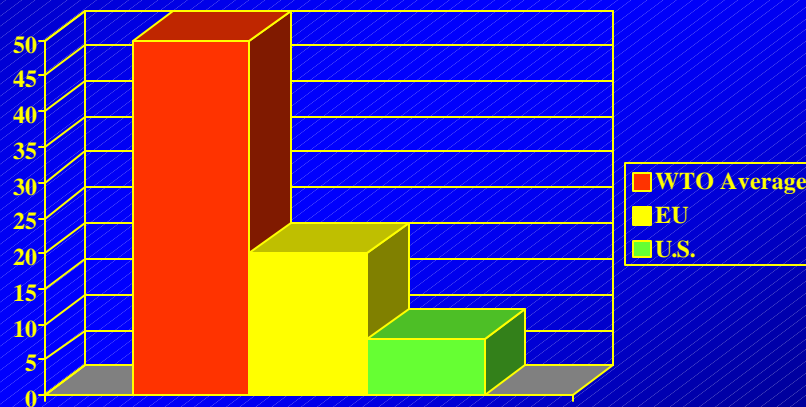
The apparent slowdown in the world economy makes it even more vital that the new Round commence ASAP.



Market Access

Restrictive import barriers hamper agricultural

Average bound agricultural tariffs after UR reduction



Let's put these percentages into context by conducting a simple comparison with the manufacturing industry. Average import tariffs on manufactured goods fell from 40% to 4% in the second half of the 20th century.

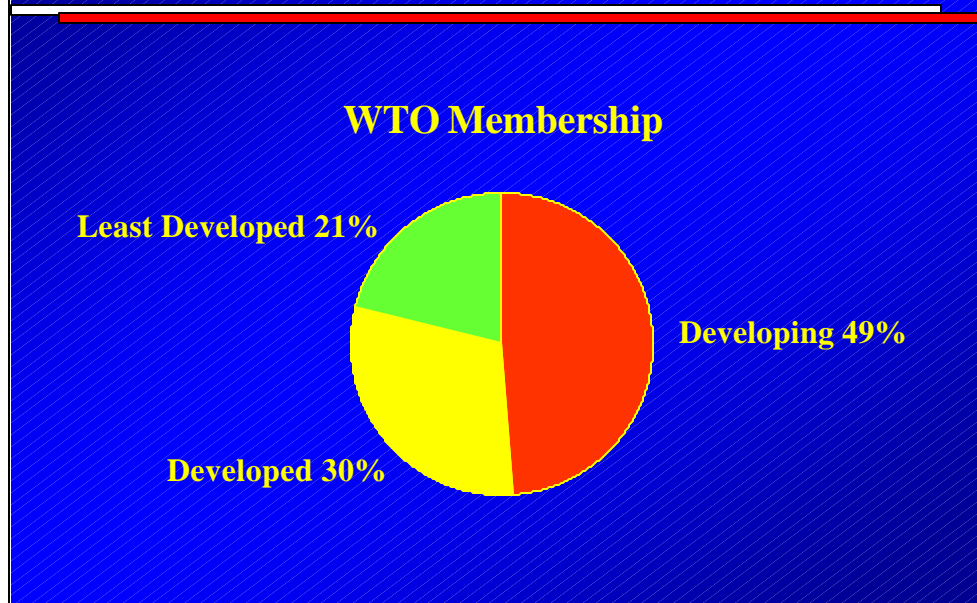
This opening up of borders allowed the volume of industrial trade to grow by a factor of 17 over the same period, and provided a substantial contribution to a six-fold increase in world GDP. The increase in global output in turn translated into a doubling of world per capita incomes. By contrast, the growth in agricultural trade over the same period was much more modest - rising by a factor of only 6.

Indeed it is interesting to note that average bound tariffs of 40% to 50% on agricultural products are at the same level as bound tariffs were 50 years ago for industrial/manufacturing products.

Thomas W. Hertel, Director, Center for Global Trade Analysis Purdue University, in 1999 estimated that the potential gains from agricultural liberalization are estimated to be as high as the potential gains from further industrial trade liberalization. Clearly, agriculture has the most to gain in the next Round.



Special Treatment for Developing Countries



This chart is most revealing: 70% of the WTO membership is in the developing or least developed category.

According to World Bank estimates, approximately 1.2 billion people live on less than a dollar a day. Nearly 3 billion people, or half of the world's population, get by on less than \$2 a day.

Estimates in Africa alone show that it will need to achieve annual growth of 8% in order to meet the internationally agreed target of halving the incidence of extreme poverty by 2015. Eight percent (8%) would seem impossible because this year the OECD projects 3% growth for OECD countries and 4% at best for non-OECD countries. The gap between the rich and poor countries is getting wider.

Among the developing countries, the best sign of support for trade is the clamor to get into the WTO, which really means to be a participant in international trade - 39 new countries since 1995 and 37 waiting to join. Why? Because there is a belief that global trade and investment can aid economic development by providing new products, new technologies and improved management skills.

Frankly, the developing world looks to trade as their avenue to prosperity from their abject poverty. Developing nations know first hand that much of the world is being reshaped by the spread of trade, which is now growing at twice the rate of world industrial output.

The classic and most sparkling example of how market access and trade liberalization can improve an economy is Mexico. Last year, Mexico climbed to 8th place among the world's exporters from 26th in 1993. This year, Mexico is positioned to pass South Korea, Hong Kong and Taiwan.

The call for special treatment for developing countries was a resounding message in the Seattle Round. The U.S. proposal on tariff reduction commitments and exemptions on domestic support for programs to facilitate investment, improve infrastructure, promote new technology and enhance marketing systems is critical to second- and third-world development. The developing world can not afford to wait any longer. Trade reform must go forward.



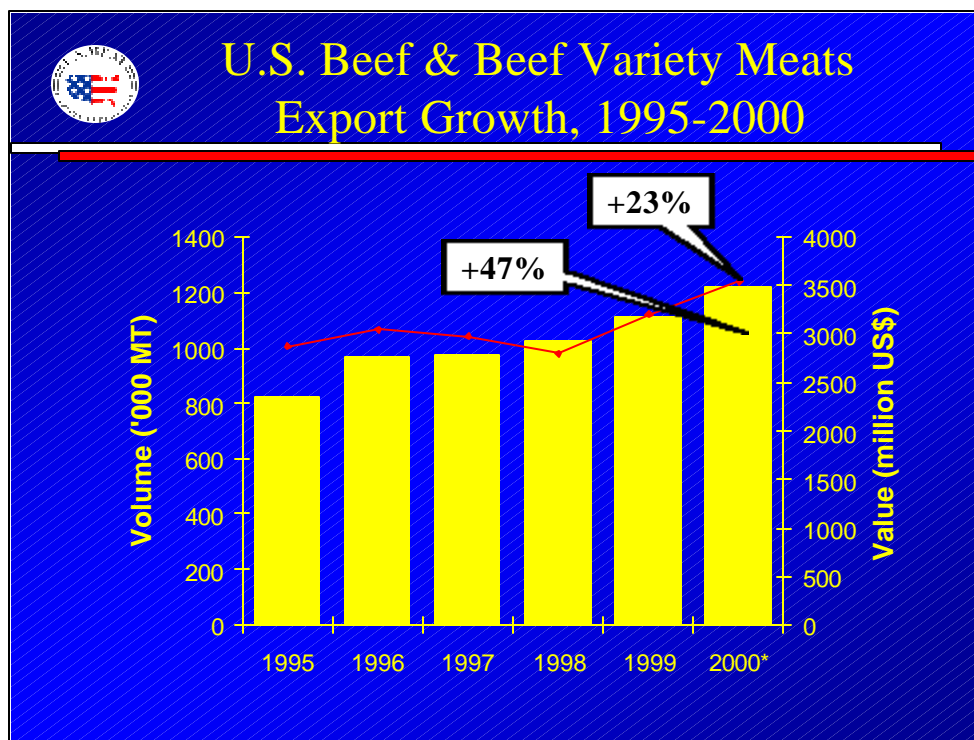
Food Security

- Renew commitment to food aid as described under the Uruguay Round “Decision on measures concerning the possible negative effects of the reform program on least-developed and net food-importing developing countries”
- Maintain food aid
- Continue the use of export credits
- Establish export reporting systems
- Strengthen disciplines on export restrictions



Sectoral Initiatives

- Engage in sector-specific negotiations beyond the general commitments



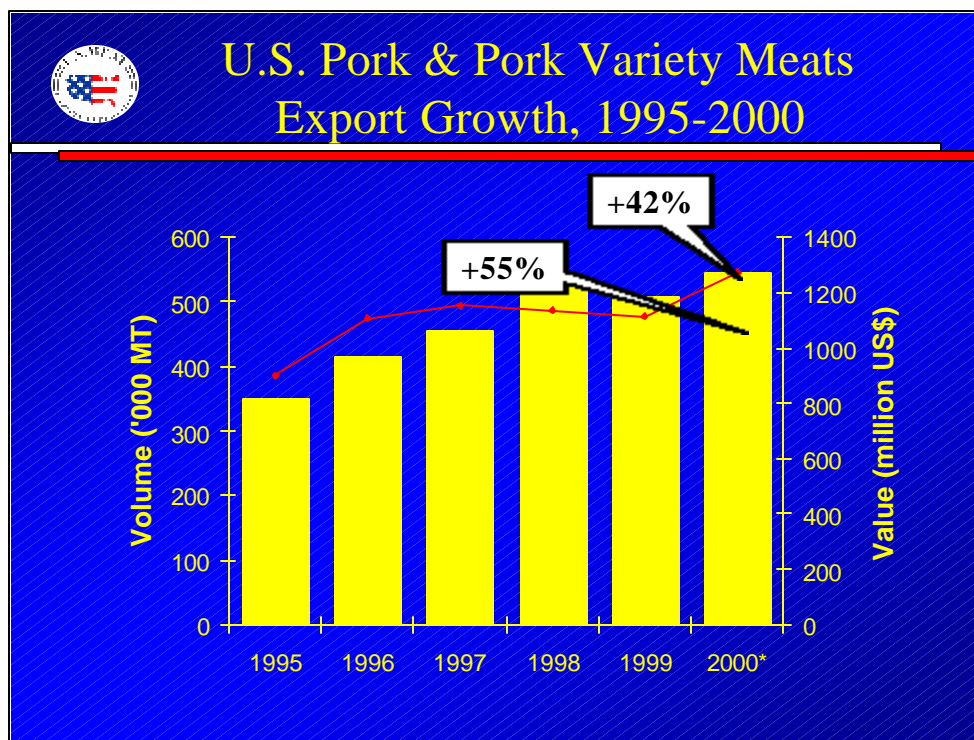
Specifically, why should the U.S. industry favor the new Round? Let me address you from the standpoint of the red meat industry. The results speak for themselves since the Uruguay Round was completed in November 1994.

US Beef and Beef Variety Meat Export Growth, 1995-2000

| | Export Volume ('000 MT) | Export Value (Million US\$) |
|----------------|-------------------------|-----------------------------|
| 1995 | 826 | 2,872 |
| 1996 | 967 | 3,046 |
| 1997 | 977 | 2,968 |
| 1998 | 1,022 | 2,804 |
| 1999 | 1,114 | 3,204 |
| 2000* | 1,218 | 3,546 |
| Percent Growth | 47% | 23% |

* USMEF estimate

source: USDA, USMEF estimates

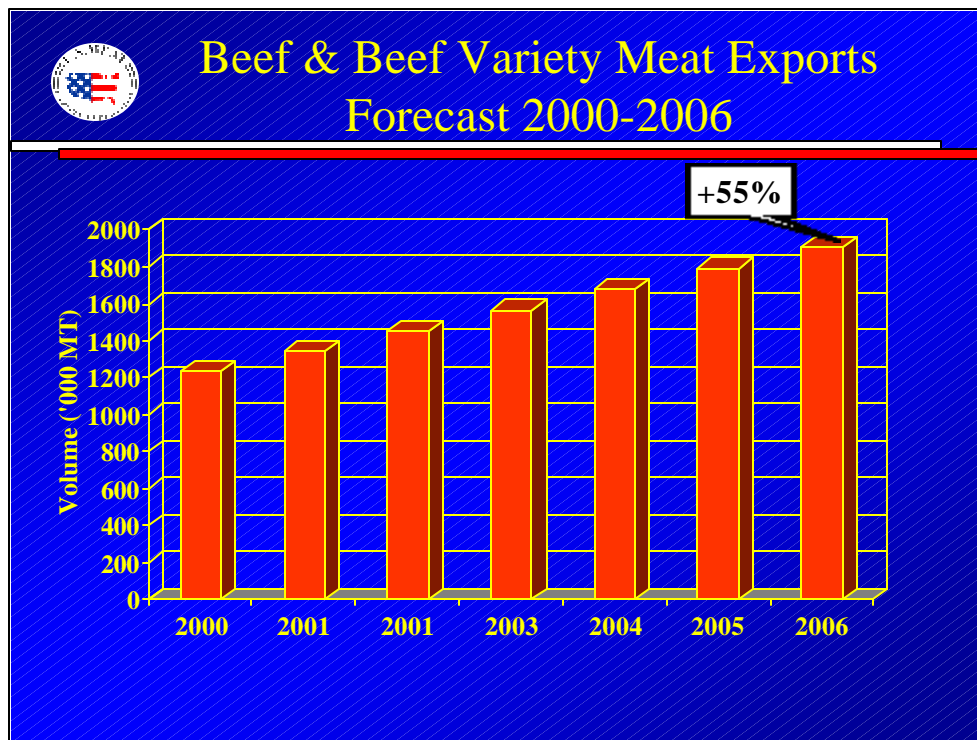


US Pork and Pork Variety Meat Export Growth, 1995-2000

| Export Volume ('000 MT) | | Export Value (Million US\$) |
|-------------------------|-----|-----------------------------|
| 1995 | 350 | 897 |
| 1996 | 413 | 1108 |
| 1997 | 454 | 1153 |
| 1998 | 529 | 1135 |
| 1999 | 506 | 1114 |
| 2000* | 544 | 1,275 |
| Percent Growth | 55% | 42% |

* USMEF Estimate

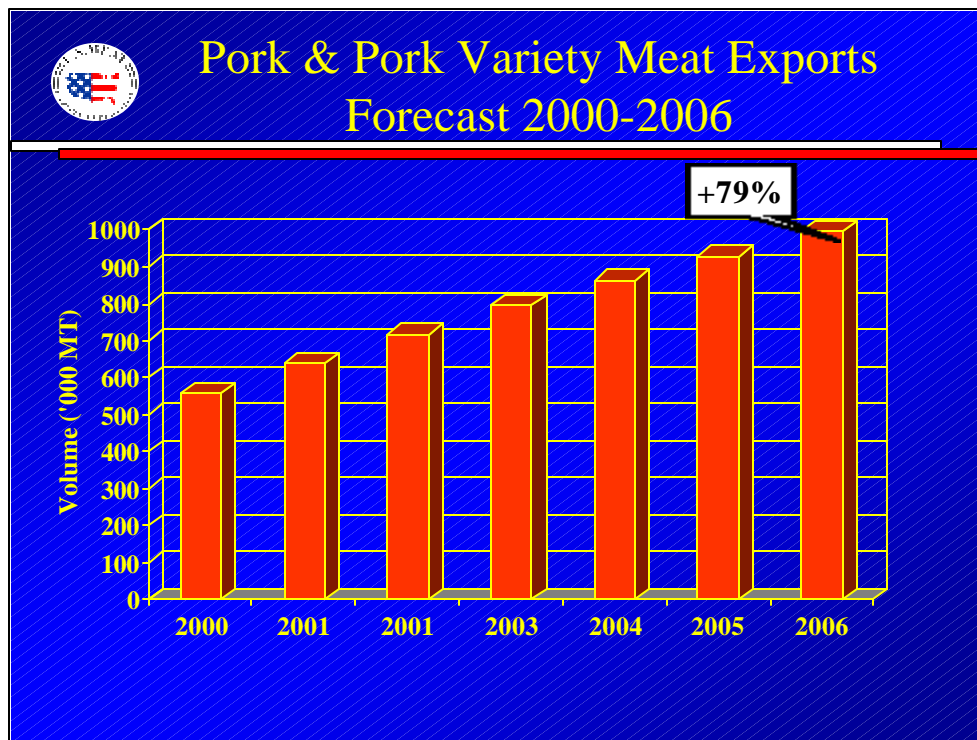
source: USDA, USMEF estimates



As compelling as those results were for beef and pork, here are what USMEF forecasts through 2006.

Beef and Beef Variety Meat Exports, Forecast 2000-2006

| | |
|------|----------|
| 2000 | 1229.525 |
| 2001 | 1340.182 |
| 2002 | 1450.839 |
| 2003 | 1561.497 |
| 2004 | 1676.252 |
| 2005 | 1791.007 |
| 2006 | 1905.764 |



Pork and Pork Variety Meat Exports, 2000-2006

| | |
|------|---------|
| 2000 | 556.082 |
| 2001 | 635.787 |
| 2002 | 715.492 |
| 2003 | 795.197 |
| 2004 | 861.926 |
| 2005 | 928.655 |
| 2006 | 995.386 |

Note that these percentages for the future are higher than what we accomplished for the last five years.